



County of Los Angeles CHIEF EXECUTIVE OFFICE

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May 14, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", written over a horizontal line.

MOTION TO SUPPORT FEDERAL LEGISLATION WHICH WOULD REDUCE THE INTEREST RATE FOR LOANS PROVIDED TO PROPERTY OWNERS FOR RENEWABLE ENERGY AND ENERGY EFFICIENCY IMPROVEMENT PROJECTS AND WOULD PROVIDE FEDERAL FUNDING OR TAX INCENTIVES TO PROPERTY OWNERS TO MAKE ENERGY EFFICIENCY IMPROVEMENTS (ITEM 11 – AGENDA OF MAY 18, 2010)

Item 11 on the May 18, 2010 Agenda is a motion by Supervisors Ridley-Thomas and Yaroslavsky to support Federal legislation which would: 1) reduce the interest rate for loans provided to property owners for renewable energy and energy efficiency improvement projects such as through Federal tax-exempt financing or tax credits; and 2) provide Federal funding or tax incentives to property owners to make energy efficiency improvements and reduce energy and costs, such as through energy retrofit rebates, as proposed under the House-passed Home Star legislation; and instruct the Chief Executive Officer, Director of Internal Services, and the County's Legislative Advocates in Washington, D.C. to pursue the enactment of such legislation.

Summary

The recommendations to support Federal legislation which would: 1) reduce the interest rate for loans provided to property owners for renewable energy and energy efficiency improvements projects; and 2) provide Federal funding or tax incentives to property owners to make energy efficiency improvements and

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reduce energy and costs, are both consistent with the following Board-approved climate change policies:

- Promote energy efficiency in residential and commercial buildings and green building certification for County facilities;
- Provide funding for local government energy efficiency programs;
- Promote incentives for residential and business buildings that generate energy from renewable resources;
- Provide funding for local government renewable energy programs; and
- Support funding which would assist local governments in reducing energy consumption.

In addition, the above recommendations are also consistent with the Board's approval of the County's AB 811 Program, general efforts to reduce the County's carbon footprint, and the County's support for SB 77 (Pavley), urgency legislation which was signed by the Governor on April 21, 2010. SB 77 requires the establishment of a Property Assessed Clean Energy (PACE) Program designed to assist local jurisdictions in financing the installation of distributed generation of renewable energy sources or energy or water efficiency improvements meeting specified requirements that are permanently affixed on real property through the use of a voluntary contractual assessment.

Home Star Legislation Overview

H.R. 5019 (Welch, D-VT), also known as the Home Star Energy Retrofit Act of 2010, would authorize a total of \$6.6 billion, primarily for a new Home Star Retrofit Rebate Program to be run by the Department of Energy (DOE) that would provide rebates to contractors for energy-efficient remodeling on existing homes. Contractors would give discounts to consumers for the retrofits and the contractors would be reimbursed by the Federal government via rebates. The bill would also create a Home Star Energy Efficiency Loan Program (authorized for at least \$324 million) to make funds available to states to provide funds to qualified entities for the installation of qualifying energy savings measures or whole-home energy savings. H.R. 5019 sunsets on December 31, 2012.

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The bill would create two categories of rebates – “Silver Star” and “Gold Star”, which could not be claimed in combination with other tax credits for energy efficiency renovations. The Silver Star Program would provide rebates, in varying amounts up to \$3,000 per home, awarded to participating contractors and vendors who perform qualifying energy savings measures that meet efficiency and installation targets and standards, and includes a list of specific products eligible for the program (such as new ductwork, window replacements or new heating and cooling systems). The bill specifies that the contractor would have to pass the full value of the rebates on to the homeowner.

The Gold Star Program would provide rebates up to \$8,000 to contractors and vendors for retrofits that achieve home energy savings determined by a comparison of the simulated energy consumption of the home before and after the retrofit. These rebates would be calculated based on the net overall energy-use reduction in a home. The bill requires that net energy consumption be documented through the use of simulation software.

H.R. 5019 would also provide rebates for certain products that are purchased and installed by homeowners for “do-it-yourself” projects, including insulation, sealing products, weather-stripping and caulk. For these products, a vendor would have to assert that these products were used for a specific home and then submit a rebate application for these products. The “do-it-yourself” rebates could not be used in combination with rebates used for home renovations conducted by contractors. These rebates would total 50 percent of the cost of the eligible products, up to a maximum of \$250 per home.

The DOE would be required to create a Federal rebate processing system, a website that includes information on the new Home Star rebate programs, and to develop a network of Home Star program rebate aggregators, which would be created to facilitate rebates to contractors and vendors. In all cases, applicants to become rebate aggregators would have to demonstrate that they have the ability to process the necessary volume of contracting jobs performed, the capability to provide data to DOE, and a financial system capable of tracking the rebates distributed to contractors. The legislation would limit the amount paid to rebate aggregators for Silver Star rebates to \$25 per rebate review and \$150 for quality assurance audits. For Gold Star rebates, the limit would be \$35 per rebate review and \$300 for quality assurance audits.

Qualified contractors could enter an agreement with a Home Star rebate aggregator that would allow them to participate in the program. The bill defines a qualified contractor as a contractor that meets state contractor licensing requirements, has insurance coverage of at least \$1 million for general liability, and agrees to provide warranties to

homeowners for work performed through the Home Star program. In order to ensure that the rebates are passed onto consumers, contractors would have to provide homeowners with a notice of the amount of the rebate that the contractor intends to seek from the Federal government, and how the contractor will pass the rebate amount on to the homeowner.

In addition, H.R. 5019 requires random audits of contractors for energy efficiency retrofit work performed through the Silver Star and Gold Star rebate programs. For both programs, in the case of contractors that have a "certified workforce" (a firm in which all employees are certified in job skills set by an independent third party), the bill requires less frequent random audits of work performed through the rebate program. If contractors are found to be in violation of the requirements of the rebate program, the bill authorizes DOE to require a higher percentage of audits for those particular contractors.

The DOE would be required to review information submitted to the Federal rebate processing system to determine if rebates were properly administered. In the case of payments that were not properly made, DOE could recoup the amount of an improper payment or require that a vendor pass the cost of the rebate onto the customer. The bill creates civil penalties for any person who violates the requirements of the rebate programs of up to \$15,000 for each violation, or three times the value of the rebate, whichever is greater.

Furthermore, the bill authorizes \$600 million for the purchase of replacement Energy Star-rated manufactured homes. A homeowner can receive \$7,500 for the replacement of a manufactured home if income limits are met (80 percent of the area's medium income), and could also receive an additional \$2,500 for the destruction of the replaced manufactured home.

The legislation would authorize the DOE to administer the rebate and loan programs in fiscal years 2010 and 2011, and make the funds available until expended. The bill specifies that the authorized funding would supplement, and not replace, any other Federal or state funding that was previously planned for energy efficiency programs. Of all the funding available, H.R. 5019 requires the DOE to allocate 25 percent of funds to states through a formula used to provide funding for state conservation plans. The remaining 75 percent of funding must be allocated by the DOE in a way that best supports the goals of achieving energy efficiency and hiring unemployed or underemployed workers. Any unused funds for the Silver Star rebates that have not been expended one year after enactment would be transferred to the Gold Star rebates program. Any funds for the Gold Star rebates that have not been expended two years after enactment would be transferred back to the United States Treasury.

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H.R. 5019 passed the House Floor on May 6, 2010 by a vote of 246 to 161, and was referred to the Senate Committee on Finance on May 7, 2010 where it currently awaits action.

Impact to County Departments

The Internal Services Department (ISD) and Treasurer and Tax Collector (TTC) indicate that approval of the policies to support Federal legislation which would reduce the interest rate for loans provided to property owners for renewable energy and energy efficiency improvements projects and provide Federal funding or tax incentives to property owners to make energy efficiency improvements and reduce energy and costs, such as the rebates provided in H.R. 5019, will help make the County's AB 811 Program more cost effective for constituent participants. ISD and TTC indicate that although there is no direct impact to the departments, these policies would help promote the County's AB 811 Program, which would reduce greenhouse gases, improve energy efficiency, and create jobs within the County.

WTF:RA
EW:sb

c: Executive Office, Board of Supervisors
County Counsel